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March 30, 2006

Ms. Jennifer J. Johnson, Secretary  
Board of Governors of the Federal Reserve System  
20<sup>th</sup> Street & Constitution Avenue, NW  
Washington, DC 20551

Re: Docket No. 0P-1248

Dear Ms. Johnson:

Please consider the comments set forth below as the comments of Second Bank & Trust, its directors, employees, and staff as it relates to the proposed guidance on commercial real estate concentrations.

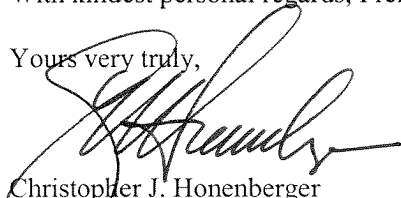
In Virginia, the proposed guidance, particularly the capital ratios, will have a disproportionate by negative impact on community banks as a majority of community banks in Virginia would reach the proposed capital thresholds with their current portfolio structure. Many community banks, with prior regulatory supervision and approval, relied upon commercial real estate lending for growth and, as a result, may not have as diverse a portfolio as larger banking institutions.

For years, regulators have encouraged banks to collateralize loans with real estate. Furthermore, community banks are in the business, and, in fact, have as their mission, the development of the communities in which they provide services. Most communities served by community banks are more rural in nature. As rural communities, the change agent for economic development is the full development of the commercial property within the community. If community banks were to participate in this community-development related activity, banks must take risks on a high volume commercial real estate loans in their portfolios. This is less than of an issue as may be first considered in that community banks have a better and long-standing relationship with most of their commercial customers than institutions in larger metropolitan areas. Applying the proposed capital standards discounts the importance of these customer relationships and minimizes the subjective lending component, which has been a foundation of community banks' success for decades.

We recommend the regulators reconsider the proposed capital standards for community banks and should consider increasing the capital thresholds to 200% and 350% of capital, respectively.

With kindest personal regards, I remain

Yours very truly,



Christopher J. Honenberger  
President & CEO

CJH/jlc